

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

INVESTMENT TECHNICAL ADVISORY COMMITTEE MEETING APPROVED MINUTES

September 23, 2004

1:00 pm

Jesse Unruh State Office Building
915 Capitol Mall, Room 587
Sacramento, California 95814

OPEN SESSION

1) CALL TO ORDER AND ROLL CALL

Investment Technical Advisory Committee (TAC) Chair, Tony Garcia called the meeting to order at 1:00 pm. TAC members present at the meeting included: Constantine Baranoff, Bill Blackwill, Lee Buffington, Kay Chandler, Raymond Day, Tony Garcia, Carol Lew, Cherie Raffety, Craig Underwood, and Chris Winters. CDIAC staff members present included: Executive Director Lisa M. Harris, Kristin Szakaly-Moore, Linda Louie, Frank Moore, Mark Campbell, Nova Edwards, Robert Stroud, Pat Brubaker, Berma Williams, Sarah Keck, and Gail Woodson, and Kirsten Snow Spalding, Chief Deputy Treasurer of the State Treasurer's Office, also was present. Members of the general public that were present included Asael Sala and Julio Martinez.

2) ACTION ITEM

a. Approval of Minutes from September 8, 2003

Mr. Garcia asked for a motion to approve the minutes of the September 8, 2003 Investment TAC meeting. Ms. Chandler made a motion to approve the minutes; Mr. Blackwill seconded the motion. The minutes were unanimously approved.

3) INFORMATION ITEMS

a. Welcome

Mr. Garcia welcomed Investment TAC members and responded to committee member feedback on the draft Investment Primer. Ms. Harris introduced a new Investment TAC committee member, Mr. Winters, and CDIAC introduced themselves to the committee members.

b. Discussion of Final Draft of Investment Primer

Ms. Szakaly-Moore, gave a brief update on the status of the investment primer. The primer is designed to be a reference document covering such topics as roles of various participants in public fund investment, concepts and terminology, investment portfolio development and management, investment of other funds, and ethics and liability issues. CDIAC staff have finished reviewing the primer draft. The TAC committee discussed various suggested changes and edits to the primer, as well as, marketing and distribution of the primer. Ideas included creating a shortened, "Cliff Notes" version of the primer with page references to make it more accessible, contracting various public finance associations to host sessions at upcoming conferences on the mechanics of the investment primer, and posting an electronic version of the primer on CDIAC's internet site with links to it from other websites.

c. Discussion of Recently Completed Projects and Future Research Topics

Ms. Szakaly-Moore gave a summary of recently completed projects, including the following:

- Tools to Revitalize California Communities Guide Book. Ms. Szakaly-Moore updated the TAC on the CDIAC's Tools to Revitalize California Communities Guide Book, which will include new programs and contact information. The purpose of the updated version is to provide a current list of financing tools available to local governments in selected areas which include equity financing, brownfields, and small business financing. The target audience is local government officials and the interested public. The guide book is complete and has been published.

- *Investment Portfolio Reporting Practices Guide*. Ms. Szakaly-Moore updated the TAC on the Investment Portfolio Reporting Practices: An Informational Guide. The guide is geared to local government treasurers and their staff providing an overview of various methods of reporting investment portfolio information based upon what is currently being reported by California counties and cities.
- *Investment Policy Reporting Practices: An Informational Guide*. This brochure is a companion guide to the Investment Portfolio Reporting Practices guide. This brochure uses the same sources for examples, and will provide examples of effective ways of providing investment policy information. The document provides treasurers and their staff with a reference tool of styles and strategies for putting together an investment policy effectively. The brochure's audience would be local government treasurers and their staff.
- *Interest Rate Swaps: The Most Important Questions You Should Ask Your Swap Provider*. Ms. Szakaly-Moore discussed the development of a new handout that would provide a list of 10 to 20 of the most important questions a local government issuer can ask themselves and their swap provider before entering into a swap to ensure it is the appropriate debt structure. The handout would provide issuers with a handy reference source of questions to use before entering into a swap agreement. The brochure's audience would be local government issuers and private-sector public finance participants.
- *Understanding Interest Rate Swaps*. This project is being developed as an issue brief and article for Debt Line. Both documents discuss underlying principles of interest rate swaps as a financing option for local agencies, including an overview of the swap market. They also include discussion of when and why local agencies would want to consider interest rate swaps, a checklist for evaluating them, and pros and cons of their use.

d. Review of Upcoming Seminars

Ms. Louie presented a list of past and future seminars on investment and debt workshops. CDIAC will host several sessions at the Annual California Society of Municipal Finance Officers Conference in February 2005 and hope to host a Pre-Conference at the Annual California Municipal Treasurers Association Conference in April 2005.

e. Update on Current Industry Issues

The TAC had a brief discussion of current industry issues that may be of interest to CDIAC staff to include in future seminars for consider future research projects. These include methods that local agencies use to report earnings under different economic and political environments and information on current issues facing government-sponsored entities (e.g., the Federal Home Loan Mortgage Corporation and Federal National Mortgage Association) that issue federal agency obligations.

4) PUBLIC COMMENT

There was no public comment.

5) ADJOURNMENT

Prior to the conclusion of the meeting, Ms. Harris introduced Ms. Spalding, the State Treasurer's new Chief Deputy Treasurer. Ms. Spalding expressed her interest in the TAC's activities and shared with them some recent investment-related activities that the State Treasurer has been pursuing, including his Green Wave investment and Power of the Purse corporate reform initiatives. Being there no further comments, the meeting was adjourned at 2:40 pm by unanimous acclamation.